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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 001598

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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [ZI](#) [EINV](#)
SUBJECT: AMBASSADOR'S INITIAL CALL ON RBZ GOVERNOR GONO

Classified By: Ambassador Christopher Dell for reason 1.5 d

Summary

1. (C) Reserve Bank Governor (RBZ) Governor Gideon Gono told Ambassador Dell that he is pursuing closer ties with the International Monetary Fund (IMF) by boosting arrears payments, trying to facilitate a meeting between President Mugabe and IMF Managing Director Rodrigo Rato and arranging for an IMF technical visit Nov 17-23. Gono argued that he has begun to revive the economy in nearly ten months on the job by attacking inflation and taking other measures. Despite criticisms, he indicated he would continue to intervene in policies outside traditional central banker duties, such as modifying the NGO bill and bringing together hostile groups.

Gono Courts the IMF

2. (C) During the Ambassador's initial visit to the Reserve Bank, Gono insisted he wanted Zimbabwe to reengage with Western countries and international lending institutions. Arguing that President Mugabe was "amenable when approached in the proper way," Gono claimed to have worked hard to successfully convince Mugabe to meet IMF Managing Director Rato. Mugabe was to have met Rato during the Sept 8-9 African Union Extraordinary Summit in Ouagadougou. However, miscommunication, which he blamed on &bureaucrats8 in the President,s office, caused the Ouagadougou meeting to fall through. Gono said he had threatened to resign if a Mugabe-Rato meeting did not take place during the opening of the 59th United Nations General Assembly in New York. He said the meeting had been agreed for September 20 but he had yet to get a readout or even confirmation that it had occurred.

3. (C) Gono said he has made tentative arrangements for an IMF delegation to visit Harare Nov 17-23. He said he had persuaded acting Finance Minister Herbert Murerwa to move forward his 2005 budget presentation to Parliament by one week to Nov 18, which will enable the IMF delegation to review next year's budget during the visit. Although Gono has now increased Zimbabwe's quarterly arrears payments to the IMF to US\$5 million, he complained that the IMF's decision to close its Harare office had enabled adversaries to claim his reengagement efforts were failing.

Steps to Revive Economy

4. (C) After recounting familiar GOZ policy that brought about Zimbabwe's economic collapse - unbudgeted payouts to "War Veterans" in 1997, the beginning of intervention in the Democratic Republic of the Congo in 1998, etc. - Gono summarized his objectives since taking office Dec 1, 2003. Above all, the Central Banker said he has sought to reduce inflation, which peaked at a monthly 33 percent last November and is now below 10 percent. Gono added that he wanted to reassert regulatory authority over the financial sector, eliminate remaining price controls, draw business activity from the informal to formal sector, make quarterly instead of semi-annual monetary policy statements and introduce "controlled" foreign exchange currency auctions. He believes he is gradually succeeding at each of these goals and pointed out that 2004 gold exports had already surpassed 16 tons, up from 12 tons during all of 2003.

Zimbabwe's Central Banker Plus

4. (C) Insisting that Zimbabwean politics and economics are inextricably linked, Gono said "I make no apology" for intervening in GOZ matters unrelated to monetary policy. In that spirit, Gono argued he was trying to tone down the restrictive NGO bill. Gono said he has used his Foreign Exchange Auction Advisory Board to promote dialogue among such diverse groups as the Commercial Farmers Union, War Veterans and National Association of Non-Governmental Organizations. (N.B. The opposition Movement for Democratic

Change and independent Zimbabwe Congress of Trade Unions have refused to participate on the Board.) Regarding Zimbabwe's besieged white farmers, Gono said he wanted to be able to tell them "to get on with their work."

Comment

15. (C) Gono seeks rapprochement with the West because he wants balance-of-payments support to underwrite economic restructuring. IN that regard, his views echoed similar remarks we have heard from the local business community which believes balance-of-payments support from the International Financial Institutions (IFIs) is their only hope for recovery. Neither Gono nor the businessmen were willing to acknowledge that questions of improved governance and respect for democratic principles were the sine quo non of a revived relationship with the IFIs. For that reason, he has become the GOZ's designated reengagement advocate and barbarian handler par excellence. Yet although President Mugabe has granted Gono wider latitude than predecessor Leonard Tsumba, Gono has been unable to prevail upon Mugabe to lessen repressive tactics against the opposition, independent press, remaining white farmers and NGOs - or even more pertinent to his principal responsibilities, to wean the GOZ off its overvalued exchange rate and the harsh administrative controls used to maintain it.

Dell